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The State of the Soviet Economy

Our readers will have to wait for our next newsletter in August for a report on the statistical results for the first six months of 1989. For this newsletter, however, we have provided some current data which offers additional background on the current state of the Soviet economy. Perhaps one of the most telling measures of what is happening is the accompanying cartoon. The gentleman is looking at a clothesline entitled "ration coupons" and hanging from the clothesline are coupons for sugar, butter, soap, sausage, vodka, pasta, tea, laundry detergent, and furniture.

Ekonomicheskaia gazeta, No. 24, June 1989, p. 16.

Not all of the shortages which have been widely reported in the Soviet Union are due to a fall in production. Much of the problem is due to the fact that the budget deficit now exceeds 11% of GNP and seems to be growing. At the same time, however, there have been some production problems. The Soviet statistical authorities have just published some data on the production of agricultural products on a per capita basis in kilograms. The figures are for 1986, 1987, and 1988.

PER CAPITA AGRICULTURAL PRODUCTION
(in Kilograms)

Product	1986	1987	1988
Grain	750	747	682
Potatoes	311	268	220
Vegetables	106	103	102
Meat (slaughtered)	64.4	66.9	68
Milk	365	367	372
Eggs, each	288	292	296

As the table indicates, there has been a drop in the per capita harvest of grain consistently since 1986. The same thing holds for potatoes and vegetables. Per capita output of meat, milk, and eggs has increased. Even there, however, there is no guarantee that those goods will be made available in retail shops. These figures refer only to production and we know that there continue to be significant losses between the field and the consumer's kitchen.

While the output of meat seems to have increased over the preceding three years, the news may not be quite so good for 1989. Other data show that meat production for the first quarter of 1989 was only 99% of what it had been the year before.

Income Distribution in the Soviet Union

One of the concerns frequently expressed at the Congress of People's Deputies, held in late May and early June, was the large number of Soviet citizens subsisting beneath the poverty line. It is estimated that one out of every eight people in the Soviet Union receives an income which puts him or her in this category. This particularly affects pensioneers and those citizens of Central Asia with large families. Soviet authorities define an income of less than 78 rubles per capita per month in 1988 as below the poverty line. This classification is reported to encompass 36 million people.

The official Soviet data contained in the accompanying table suggest that the number of people earning less than 75 rubles per month has fallen significantly since 1980. Similarly, the number earning over 250 rubles a month has increased from 1% of the total to 7%. What is unclear, however, is how much these figures have been affected by inflation. The indication is that the decrease in those earning less than 75 rubles is in part a reflection of growing inflation. Those republics earning the most are (in descending order) Estonia, Latvia, and Lithuania. Those earning the least are (in ascending order) Tadzhikistan, Uzbekistan, Turkmenistan, and Azerbajian. In the last instance the low per capita income is partly due to the typical large size of the family which means that the per capita income then turns out to be lower.

Finally, it is worth examining how money is allocated among Soviet families. Those whose per capita income is less than 75 rubles a month spend 52% of their income on food. As might be expected, those earning over 200 rubles a month spend only 28% of their income on food.

Table 2.

Distribution of the Population of the USSR by Average Per Capita Income

Monthly income in rubles:	1980	1985	1988
up to 50 r.	7.3	4.3	2.9
50 - 75	18.5	13.6	9.7
75 - 100	23.2	19.8	15.7
100 - 125	19.5	19.3	17.6
125 - 150	13.2	15.0	15.7
150 - 175	8.2	10.4	12.2
175 - 200	4.7	6.7	9.0
200 - 250	4.1	6.9	10.1
over 250	1.3	4.0	7.1

Table 3.

Distribution of the Population of the USSR by Average Per Capita Income by Selected Union Republics

	Percentage of the population whose per capita monthly income, in rubles, is:				
Republic	up to 75	75-100	100-150	150-200	200 +
USSR	12.6	15.7	33.3	21.2	17.2
Russia	6.3	13.1	34.0	24.6	22.0
Ukraine	8.1	16.8	38.5	22.4	14.2
Uzbekistan	44.7	23.9	22.2	6.4	2.8
Lithuania	3.6	10.7	34.6	27.1	24.0
Latvia	3.2	9.5	31.8	27.2	28.3
Tadjikistan	58.6	20.7	15.5	3.8	1.4
Turkistan	36.6	23.0	25.8	9.4	5.2
Estonia	3.9	9.0	28.0	25.5	33.6

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Table 4.

Breakdown of Average Monthly Expenditures on Selected Items as a Percentage of Total Monthly Income

Category	Income level: up to 75	75-100	100-150	150-200	200 +
Food	51.5	42.7	35.83	31.9	28.4
Nondurable Goods	27.4	29.2	30.3	32.0	29.7
Services	8.0	9.8	10.3	9.1	7.9
Taxes, Collections, Payments	3.8	5.7	7.8	8.6	8.9
Other Expenses	8.6	8.5	8.5	9.71	12.0
Savings	0.7	4.1	7.3	8.7	13.1

ADVICE FOR THOSE PLANNING TO VISIT MOSCOW

Whatever the success of perestroika on the domestic front, there are some breakthroughs for foreigners. It is now possible to reserve a hotel room in advance without going directly through Intourist and it is also possible to rent a car through a cooperative.

For those who need a hotel room, it is now possible to reserve a room through an organization called "Spate". They are a joint venture combining Pan Am and Aeroflot. They have an office in New York. In Moscow, they frequently have a representative greeting arriving flights in the baggage claim area, just on the other side of Immigration and Passport Control. Their phone number is 243-48-17 and they are able to offer rooms in the Ukraine Hotel. They are not cheap, but for those with difficulty finding a room, it may prove to be useful information. The rates for a single room are around $150.00 per day.

For those who want to rent a car, it is possible to have a car with a driver from a cooperative in Moscow. The phone number is 924-74-16 or 200-27-79. You should ask for Leonid. The cars are available by the hour or by the day and the rate is cheaper than the Intourist rate.

FOREIGN EXCHANGE RATES
April 12, 1989 to June 7, 1989
Quoted in rubles

	April 12	May 10	June 7
£100 Sterling	106.49	106.05	102.62
100 Aust. Sch.	4.75	4.74	4.69
100 D. Marks	33.45	33.34	33.07
100 D. Guilders	29.64	29.58	29.30
100 U.S. Dollars	62.77	63.19	64.07
100 Fr. Francs	9.90	9.88	9.72
1,000 Jap. ¥	4.73	4.71	4.56
10,000 It. Lire	4.56	4.57	4.55
100 Swiss Frs.	38.02	37.36	38.27
100 Nor. Kroner	9.20	9.21	9.09
1,000 Bel. Frs.	15.97	15.95	15.76
100 Sw. Kronor	9.82	9.84	9.75

Fang Lizhi, the 'Contaminant'

Dissident's Ideas Live in the People—and Inside the Embassy

By MERLE GOLDMAN
and MARSHALL I. GOLDMAN

In our first meeting with Chinese physicist Fang Lizhi and his wife, Li Shuxian, we came to understand why they have so enraged Chinese authorities. They refuse to accept not only the dictates of the Chinese Communist Party but its very legitimacy. Like the prophets of the Bible, as well as fellow physicist Andrei Sakharov and his wife, Elena Bonner, Fang and Li hold to a different—and to many, a higher set of values: human rights, decency and democracy. Neither the Fangs nor the Sakharovs have any patience with the excuse that arbitrary state controls are essential because the masses in China and the Soviet Union are not yet ready for self-rule or democracy. The Fangs and the Sakharovs are iconoclasts in societies where secular icons, arbitrarily decreed by the ruling Communist officials, are not to be challenged.

Why was it, we asked the Fangs, that it was the hard scientists and a small number of literary intellectuals, such as Liu Binyan, who like the Fangs and the Sakharovs were among the first to challenge Communist Party orthodoxy? Why not the social scientists who, after all, presumably specialize in such matters? To Fang, the answer was simple. As a physicist, he had access to scientific literature from the outside world. He recognized that the official Chinese depiction of science differed from what fellow scientists in the outside world accepted. It was scientific criteria rather than political accommodation that affected his thinking and values.

In the same way he came to question official Chinese descriptions of political, social and economic conditions both in and outside China. That meant that Fang and Li were among the first to question not only Mao but the entire Chinese Communist Party system. To Chinese officials, this meant that Fang was a troublemaker and a contaminant to be eliminated.

There is no doubt that Fang's ideas and his actions have had an impact on the democracy movement in China. In many ways, he served as the inspiration for the student demonstrations that occurred in December, 1986. But the irony is that in the recent demonstrations, Fang consciously kept a low profile.

The Chinese authorities, however, must find someone or something to blame, and Fang is a convenient scapegoat. It is so much simpler for the leadership to say that Fang and a few student leaders caused the whole problem. Otherwise, the implication would be that poor political leadership and corruption among officials had provoked the student demonstrations.

By blaming someone prominent like Fang, they also can explain away the chaos and disorders that occurred and the fact that workers and ordinary people as well as students joined in the demonstrations. Since the creation of the Solidarity movement in Poland, there is nothing as frightening for Communist Party authorities as the nightmare that workers may take to the streets to protest not only economic upheaval but political deprivation as well.

Against this background, it may be easier to understand why the Chinese leadership has called for the arrest of Fang and Li, even though of necessity this has created an inevitable fight with the United States. President Bush was embarrassed because he and his staff did not make more of a fuss when the Chinese police kept Fang from attending Bush's dinner in China a few months ago. Providing temporary refuge for Fang and his wife helps to compensate for that earlier show of timidity.

Yet from the Chinese point of view, the safety provided by the U.S. Embassy in Beijing is infuriating. It brings back memories of the 19th Century and extraterritoriality, when foreign governments set up special enclaves and declared themselves exempt from Chinese sovereignty. Under the circumstances, we cannot assume that the Chinese will respect international law and customs that are supposed to protect the operation of foreign diplomats and embassies. Whether we see a repeat of the sacking of the U.S. Embassy in Tehran, we should remember that during the Boxer Rebellion in 1900, the Chinese put embassies under siege for two months. During the Cultural Revolution, Red Guards torched the British Embassy.

Recent Chinese history has been scarred by periodic shifts between rationality and chaos. Admittedly, during the last few years, the Chinese seemed to be moving closer and closer to what appeared to the outside world to be normalcy. Yet we should not lose sight of the fact that rapid change and rapid economic growth can be disruptive, be it in China, Iran or the Soviet Union. The danger is that the conservatives overreact, as they seem to be doing now.

It is tragic that recent events should be reduced to an assertion by the Chinese government that what happened never happened, and to an attack on the U.S. government for sheltering Fang. But in many ways this shows how difficult change can be for totalitarian regimes and how heroic, prophetic individuals symbolise both bravery and hope.

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Trouble aboard Red October

The April submarine disaster was only the latest in a string of Soviet nuclear shipping accidents. Although they have not been officially reported, rumors about them have added to the Soviet public's growing nuclear allergy.

by Gabriel Schoenfeld

THE SINKING OF A MIKE-CLASS Soviet nuclear-powered attack submarine in April, off the coast of Norway, draws attention to the dangers of nuclear-powered shipping. The Soviet press has described the cause of the submarine fire, in which nearly 50 crew members and two nuclear-tipped missiles were lost, as a short circuit. Officials have given assurances that reactors aboard the vessel were intact and shut down when the submarine sank. While the accident appears not to have involved any release of radiation, the tragedy follows several other incidents and near-disasters in the Soviet Union connected with nuclear power and nuclear-powered shipping.

The latest disaster is likely to fuel public fears of nuclear energy that are already widespread in the Soviet Union and that have found political expression in a growing environmental movement. Abroad, the accident, along with new revelations about contamination stemming from the world's worst nuclear accident at Chernobyl and Soviet problems with the disposal of nuclear waste, is adding to doubts about Soviet ability to manage the hazards of nuclear power.

A LEADING SOVIET nuclear safety official, R.V. Nikolskii, has also provided a partial account of a near meltdown of a nuclear reactor aboard the icebreaker *Rossiya* on November 11 of last year. That incident sheds light on a range of serious problems in the nuclear shipping industry, although it received little public attention in the West.

As Nikolskii recounted in an interview in the March 4 issue of *Vodnyi Transport*, the *Rossiya* was moored at the northern naval port of Murmansk, taking on foodstuffs and supplies while routine maintenance was performed on the ship's two nuclear reactors. Problems began when the chief physicist in charge of the maintenance, V. Kuleshev, issued an erroneous command to open a valve, and the cooling fluid surrounding one of the ship's reactors was allowed to drain away. A meltdown of the reactor core was only narrowly averted after the crew took unspecified "further action" and when an emergency backup system kicked in. Nikolskii characterized the incident as "a situation of nuclear danger" and a "situation which could lead to a nuclear accident."

Although the error of the chief physicist was the proximate cause of the incident, the Soviet account of the episode notes that Kuleshev had been kept on watch duty for five days. Such an ordeal is ordinarily reserved for "extreme cases," but the Soviet account acknowledges that before the physicist's own blunder "there was not any emergency situation" to justify the extended watch duty. The physicist had evidently been compelled to work several consecutive shifts on account of ambitious planning targets that led to "storming," an imperative that remains categorical in the Soviet economy despite all attempts at reform. "Storming" is the last-minute rush to complete a task on deadline. Explained the Soviet account: "These violations are committed due to production tasks: finish the work as fast as possible, and sail off."

In his comments about the icebreaker incident, Nikolskii made a puzzling and astonishing reference to inadequate security around Soviet nuclear fleet installations, describing it as "one more problem associated with safety." But he did not explain the nature of the threat that requires a higher security standard. While sabotage has never been mentioned in the Soviet press in connection with any of the latest incidents, it is known that, in the civilian sector at least, the KGB routinely investigates accidents and shutdowns at electric generating stations for evidence of malfeasance.

The Soviet nuclear-powered civilian maritime fleet is evidently suffering from a growing shortage of qualified personnel that is tied in with an acute morale crisis which might explain the heightened concern about security. Housing for sailors and their dependents in the nuclear fleet has been described as "particularly bad," creating what the safety official calls "severe problems for cadre policy." This problem not only afflicts merchant seamen but the Soviet nuclear naval fleet as well. Declassified CIA documents characterize the accommodations for dependents of Soviet nuclear naval seamen as "extremely inadequate," a description that must be considered in relation to the poor quality of even average Soviet dwellings.

Appalling housing conditions are just one factor behind the current personnel difficulties. Soviet nuclear-powered merchant shipping is primarily used to service the northern Soviet coast in the Arctic Sea. The nuclear fleet initially attracted Arctic enthusiasts, Soviets eager to leave frigid Russia for the even colder north. But this initial enthusiasm has waned. Today, according to the Soviet safety official, "cadets do everything possible in order to avoid an assignment on a nuclear vessel." Fear of the atom is not the problem. The motto of the modern Soviet sailor is not "go to sea and see the world," but "go to sea and buy a VCR." Soviet nuclear-powered vessels do not ply foreign routes, and VCRs are not for sale in the Soviet ports of the Arctic Sea.

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THE MIKE-CLASS SUBMARINE and *Rossiya* incidents are only the latest in a long series of accidents aboard Soviet nuclear-powered vessels. Highly sensitive reports from the Central Intelligence Agency's Directorate of Operations, which have now been partially declassified under the Freedom of Information Act, provide graphic details of several previous accidents.[1] The CIA describes the information on Soviet submarine nuclear shipping accidents contained in these reports as "not finally evaluated intelligence," and the source of the raw intelligence gathered by the CIA has been excised from the documents for security reasons. It should be noted that the reliability of "not finally evaluated intelligence" cannot be assessed without access to the sources of the information. That source material could conceivably be uncorroborated information obtained from Soviet emigres. The agency nevertheless gave these accounts sufficient weight to include them in its Intelligence Information Cables and in Foreign Intelligence Information Reports. These documents indicate that safety problems aboard Soviet nuclear ships are a longstanding and intractable phenomenon.

- The most recent report is of a Soviet shipping accident described in a CIA document bearing a 1980 distribution date. The report states: "A nuclear reactor on the Soviet ice-breaker 'Lenin' melted in a sudden catastrophic accident. [deleted] The date of the accident was not mentioned. Scientists [deleted] are known to be working on solutions to such problems with ice-breaker reactors." A separate follow-up report states: "The rumor that the Soviets purposely sank their nuclear ice-breaker 'Lenin' because of radiation was denied [deleted] . . . did say that the Soviets had a serious nuclear accident on the ship involving loss of life and because of radioactivity and repair time the ice-breaker would be out of commission for about three years."
- An incident off the U.S. Atlantic coast in December 1972 is recounted: The "accident occurred in the spaces of the Mine-Torpedo department . . . in the forward section of the submarine and involved nuclear radiation leakage from a nuclear torpedo. Doors were immediately secured in accordance with regulations and some crew members were trapped within the space where the nuclear radiation leakage occurred. . . . The crew members trapped in the forward space initially consumed dry rations that were permanently stored in the compartment, and later they received food through a small opening from the weather deck. Upon arrival in Severomorsk, crew members were permitted to debark the submarine. Several men died shortly after the accident, others later, and the total dead from the accident was [deleted] personnel. The majority of the submarine crew members suffered from some form of radiation sickness."
- The same report tells of an earlier submarine accident in 1968 in which an entire crew of 90 perished when a Northern Fleet submarine failed to return to its homeport of Severomorsk. It states that "after the submarine failed to arrive, authorities waited one or two days and then started a search. Divers found the submarine on the bottom of the estuary to Kolskiy Zaliv. When the submarine was recovered, it was determined that all food had been consumed and it was estimated that the submarine had been at the location for 30 days."
- A dramatic account of a fire erupting aboard a nuclear submarine during naval exercises in 1970 is recounted. The report states that "the fire was fought unsuccessfully, and the submarine captain gave orders for part of the crew to escape to the submarine tender. The political officer, who had not been ordered to leave the submarine, went on board the tender for fear of his life. The captain ordered the executive officer and several crew members, number unknown, to leave the submarine. The executive officer and crew members refused and instead assisted the captain in fighting the fire. The fire could not be controlled and was spreading towards the nuclear reactor. Since there was fear that the nuclear reactor was about to catch on fire, the submarine captain ordered the submarine scuttled. The petcocks were opened, and the interior of the submarine was flooded to prevent the fire from reaching the nuclear reactor. . . . The submarine sank with a 'great loss of life,' but the specific number of casualties was not disclosed."

ALTHOUGH IT IS UNLIKELY that any of these accidents were officially reported in the Soviet press, the Soviet rumor mill has long been known to be faster than the telegraph, and, until the dawn of glasnost, often more accurate than the state-controlled media. Widespread anxiety about nuclear-powered ships may thus stem from rumors that have stirred up a public that has some knowledge, however slight and distorted, about these and other incidents. Earlier this year, these anxieties boiled over in the Soviet Far East when a newly commissioned nuclear-powered container ship, the *Sevmorput*, was temporarily barred from entering the Soviet Union's major eastern ports to unload its cargo.

The $260 million ship, according to the Soviet press, took five years to build and was equipped with a "powerful radiological protection system, double sides, and triple bottom." On its first exposure to cold water its hull cracked. In an unprecedented step, Soviet longshoremen refused to service the wounded vessel. The deputy chief of the port of Magadan publicly spoke against permitting the ship to enter his harbor, declaring: "We still do not have radiation-monitoring equipment, decontaminating solutions, special protective paste."[2] According to the newspaper *Sovetskaya Rossiya* (March 7), "tens of thousands of letters categorically protesting" the presence in the region of the "sea-monster" were sent to the local radio station. The damaged vessel eventually received permission to berth.

The Soviet Union has long demonstrated that it possesses the requisite scientific and engineering expertise to operate a vast and highly developed nuclear industry and maintain a formidable nuclear-propelled fleet. But slipups, shoddy work, and "short circuits" can undo the work of even the finest engineers and the most foolproof of safety features, and it is questionable if the Soviet Union has these safeguards. The flaws in central planning that have brought the Soviet economy to its present wretched state are becoming increasingly visible in every phase of the Soviet nuclear power industry, from the mining and milling of uranium to the operation of nuclear-powered reactors and the disposal of nuclear waste. The technical performance of a highly complex industry such as nuclear power is unlikely to be sustained at a much higher level than the economy as a whole. As one Soviet nuclear safety expert has accounted for current Soviet nuclear power problems: "In conditions where the economic mechanism only stimulates gross output indicators, 'secondary' considerations may be sacrificed for the sake of improving these 'important' indicators. And the safety of the operation of these power stations was, alas, regarded as a 'secondary' indicator."[3] The Soviet Union is now desperately trying to repair its defective "economic mechanism," but Gorbachev's tinkering economic reforms have thus far yielded only shortages and decline.

Despite the Soviet Union's enormous technical prowess, Soviet economic and social ills may be approaching a critical mass, and these are the underlying cause of the current problems with nuclear energy and nuclear-powered shipping. Nikolskii, speaking of the accident aboard the *Rossiya*, warns, "The times have conditioned many people as follows: whatever happens, the station has got to operate and generate energy." Until times change and this conditioning wears off, perhaps the Soviet Union should simply switch its reactors off. □

1. *Declassified Documents Quarterly Catalog*, vol. II, no. 4 (Woodbridge, Conn.: Research Publications, Oct.-Dec. 1985). Dates of many of the documents have been deleted.
2. *Vodnyi Transport*, Feb. 9, 1989.
3. *Izvestiya*, Jan. 15, 1989.